




AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Alexa Jeffress
Director, EWDD

SUBJECT: 3050 International Boulevard LDDA &
Leases

DATE: January 15, 2021

City Administrator Approval 

Date: February 3, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance (A) Authorizing The City Administrator Or Designee To Negotiate And Execute: 1) A Lease Disposition And Development Agreement (LDDA) With, Jointly, Satellite Affordable Housing Associates, Inc., And Native American Health Center, A California Non Profit, And/ Or Affiliated Entities (Each, A “Developer”) For The Development Of An Affordable Housing Project And Health Center (“Project”) On City-Owned Property Located At 3050 International Boulevard (“Property”); And 2) A Lease Of A Portion Of The Property To Each Developer To Operate And Manage The Project, For Up To 99 Years, Including Extensions, For A One-Time Payment Equal To \$2,400,000, To Be Paid Pro-Rata By Each Developer; And (B) Adopting Requisite Findings Under The California Environmental Quality Act.

EXECUTIVE SUMMARY

The 3050 International Boulevard Affordable Housing Project (Project) is a mixed-use 100 percent affordable housing project to be developed on a City-owned parcel commonly known as 3050 International Boulevard (Property). The Project will include a 14,000-square foot health center and cultural space on the ground floor, 28 parking spaces, and seventy-six (76) rental units of multifamily housing affordable to households earning incomes between twenty percent (20%) and eighty percent (80%) of Alameda County Area Median Income (AMI). The Project will be developed, jointly, by the Native American Health Center (NAHC) and Satellite Affordable Housing Associates (SAHA) (each, a Developer and, jointly, the Developers).

In March 2018, City Council authorized an Exclusive Negotiating Agreement (ENA) via Resolution No. 87018 C.M.S. with the Developers for the Project. Developers have since fulfilled all the requirements of the ENA. Therefore, staff recommends adoption of the proposed ordinance to authorize the City Administrator or designee to: 1) negotiate and execute a Lease Disposition and Development Agreement (LDDA) on the terms noted in **Attachment A**; and 2) negotiate two Leases and, upon the satisfaction of the conditions set forth in the LDDA, execute the Leases, on the terms also noted in **Attachment A**.

City Council
February 16, 2021

BACKGROUND/LEGISLATIVE HISTORY

Legislative History/Previous Approvals

Pursuant to Resolution No. 2010-0015 C.M.S. approved on February 16, 2010, the former Oakland Redevelopment Agency (RDA) purchased the Property (APN 025-0719-007-01) in conjunction with the property located at 3007 E. 15th Street known as the Derby Parcel (APN 025-0720-002-01), which parcel is not included in the Project site. The Property consists of a 32,515-square foot (0.75 acres) vacant parcel at the southeast corner of Derby Avenue and International Boulevard in Council District 5. The former RDA purchased both parcels for a total of \$3,250,000 from Melrose Holdings. The Property was vacant and contained one building with surface parking that was previously used by Melrose Ford as an automotive dealership and service facility. The dealership closed in March 2006 and vacated the property in July 2009.

In January 2012, all redevelopment agencies in the State of California were dissolved in accordance with a series of State laws (referred to as the Dissolution Laws) and the Oakland Redevelopment Successor Agency (ORSA) became the successor agency to the RDA. In May 2014, most of the properties owned by the former RDA were transferred to ORSA, and these properties are subject to the Long-Range Property Management Plan (LRPMP) approved by the California Department of Finance per the Dissolution Laws.

Pursuant to Resolution No. 87108 C.M.S., on March 20, 2018, the City, acting as ORSA, entered into an ENA with the NAHC and SAHA as the Developers for the Property, for a term of one year and one six-month administrative extension. The first ENA extension was granted on March 20, 2019 and on September 17, 2019, the City Council authorized Resolution No. 87859 C.M.S. to extend the term of the ENA through September 20, 2020 with an option to extend administratively for an additional six months or through March 20, 2021.

Project Developers

Satellite Affordable Housing Associates (SAHA)

SAHA is a non-profit housing development corporation and property management company with over 50 years of experience. SAHA specializes in creating infill housing and mixed-use developments throughout the Bay Area for working families, seniors, and people with special needs. SAHA's innovative properties provide more than 3,000 residents in seven counties in Northern California with much needed affordable housing and services. In the immediate area, SAHA built and manages the Orchard on Foothill located at 2719 Foothill Boulevard which provides 65-units of housing to very low-income seniors, and Camino 23 located nearby at 23rd Avenue and International Boulevard, a 37-unit apartment building with one- and two-bedroom units, including one manager's unit.

Native American Health Center (NAHC)

NAHC is a non-profit, federally qualified health care center that provides community wellness programs that relate to medical, dental, behavioral health, and women, infant, and children's health in Alameda County, San Francisco County, and Contra Costa County. In 2016, NAHC's Oakland/Fruitvale clinic served over 8,900 community members. NAHC has been in the Fruitvale area since 1976 at the Fruitvale Medical Building, which is located across the street

from the proposed site. NAHC recently redeveloped a nearby property at 2920 International Boulevard, converting it from a retail warehouse property into an office and future clinic.

The Project

The proposed Project entails new construction of five (5) stories of affordable housing and a community and health clinic on the Property. The proposed development calls for 75 affordable apartment units, 1 unrestricted manager's unit, 28 parking spaces and 14,000 square feet of commercial space intended as a community health center and cultural space (see **Attachment B**).

The Project site was originally acquired to pursue development consistent with the established revitalization goals and objectives for the Coliseum and Central City East Project Areas. The redevelopment plans were developed through a collaboration with the Central City East (CCE) Project Advisory Committee (PAC) members who represented residents, property owners, community groups, and businesses in the area. In conjunction with the work of the Coliseum and CCE area plans, staff initiated a community process to identify and prioritize vacant properties along International Boulevard for economic development activities as part of the 2011 International Boulevard Transit Oriented Development (TOD) Plan, and to leverage the services of the newly completed International Boulevard Bus Rapid Transit (BRT) system. The Project site is in one of these TOD catalyst areas.

LDDA and Leases

Under the proposed LDDA terms (as set forth in **Attachment A**), Developers plan to (1) subdivide the Property to create two legal parcels – Parcel 1 to be developed into affordable housing (Residential Parcel) and Parcel 2 to be developed into a health center and cultural space (Health Center Parcel); and (2) develop the Property in two phases as described below.

Upon satisfaction of the pre-conveyance conditions, Phase 1 of development will begin with the execution of both Leases. The first Lease for the Residential Parcel between SAHA or an affiliated entity and the City, which will exclude the Health Center space (Residential Lease), will include certain obligations to construct the Project up to the core and shell of the building. The obligations to complete the core and shell will also run through the LDDA, and the LDDA will include standard requirements for construction financing, contracting and bonding.

The second Lease for the Health Center Parcel (Health Center Lease) will also be executed at closing and will be between NAHC or an affiliated entity and the City. Initially, the Health Center Lease will be for air space rights only and, upon completion of the core and shell by SAHA, will automatically extend to the improved space for the Health Center.

During Phase 2 of development, SAHA and NAHC, each will have responsibility for the internal buildout of their respective parcels.

Upon completion of Phase 1 and 2, each parcel will be operated separately for financial and legal purposes through the respective Leases entered into with each Developer.

Rent

The rent payment for the Leases to the City will be in the form of a one-time upfront lump sum payment equal to the higher of the final appraised value or \$2,400,000, payable concurrently with the execution of the Leases, divided between SAHA and NAHC as follows:

1. SAHA, or an affiliated entity, shall pay 85 percent of the upfront rent payment for the Residential Parcel.
2. NAHC, or an affiliated entity, shall pay 15 percent of the upfront rent payment for the Health Center Parcel.

The \$2,400,000 represents the fair market value of the property based on an independent appraisal, dated June 13, 2019, prepared by Yovino & Young, Inc., a Member Appraisal Institute (MAI) appraiser and will be updated with a new appraised value prior to execution of the Leases. If the appraised value is higher than \$2,400,000, then the amount due from the Developers will be adjusted accordingly. If the new appraised value is less than \$2,400,000, the Developers will still be obligated to pay \$2,400,000.

SAHA Unit Mix, Income Targeting and Regulatory Agreement

Units at the affordable housing portion of the Project will be available to households earning between 20 percent and 80 percent of area median income (AMI). Eleven percent, which is eight units, will be available to chronically homeless households earning up to 20 percent of AMI. Thirteen percent, which is ten units, will be available to households earning up to 30 percent of AMI. Thirty-two percent, which is 24 units, will be available to households earning up to 50 percent of AMI. Forty-three percent, which is 33 units, will be available to households earning up to 60 percent of AMI, with some flexibility to convert units to be affordable for households earning up to 80 percent of AMI. One unit will be set aside as an on-site manager's unit (see **Table 1**).

The unit mix and affordability levels will be documented through a regulatory agreement, in the most current form used by the City for its affordable housing projects (Regulatory Agreement). Execution and recordation of the Regulatory Agreement for the Residential Parcel will be a condition precedent to the City's conveyance of the Leases, and SAHA must enter into the Regulatory Agreement for the Residential Parcel prior to the close of Escrow.

Table 1: 3050 International Boulevard Housing Units

Affordability	Units	% of Total
20% AMI	8	11%
30% AMI	10	13%
50% AMI	24	32%
60% AMI	33	43%
80% AMI	0*	0%
Manager's unit	1	1%
Total	76	100%

*subject to funding commitment/final regulatory agreement

NAHC Community Health Center

The services provided by NAHC at the Property will be an expansion of existing NAHC facilities and operations. The new 14,000-square foot Health Center facility will enable NAHC to see more than 20,000 patients annually, an increase of 6,000 patients. On the ground floor, NAHC will finance, own, manage, and operate a cultural community center, pediatric dental services, women, infant, and children (WIC) programming, and pediatric and women's medical services.

The new space planned for the cultural community center will expand NAHC's capacity to host conferences, community events, classes, workshops, and group medical care. It is expected that the space will accommodate food distribution with three distinct areas that can be partitioned to allow for concurrent use of the space, as well as capacity to host more than 200 people for larger events. This will enable NAHC to connect with more individuals annually and provide increased supportive services that focus on social determinates of health, such as traditional practitioner consultation, addiction recovery support services, peer support groups, and self-management skills learning services. Culturally-specific programming includes youth services, drop-in safe space, cultural arts classes, community workshops and trainings, health fairs, and traditional ceremonies and social gatherings.

ANALYSIS AND POLICY ALTERNATIVES

Staff recommends approving the proposed terms of the LDDA and corresponding Leases, as set forth in **Attachment A**, for the mixed-use affordable housing project on the Property. The Project conforms to the vision and guiding principles adopted in the 2011 International Boulevard Transit Oriented Development Plan. The Project is located in a designated Transit Oriented Development Catalyst Area within the Fruitvale Sub-Area Plan and the Project meets or exceeds the recommendations presented in the Sub-Area Plan, specifically: i. Health, Safety and Wellness; ii. Land Use, Design, and Economic Development; iii. Streetscape and Public Realm; and iv. Community Facilities and Services. The Project will add 75 affordable residential units and 14,000 commercial square feet of nonprofit community health center and cultural arts space on the ground floor. The Oakland Planning Commission approved development permit Case File No. PLN19116 for a mixed-use development/affordable housing at 3050 International Boulevard on September 9, 2019.

As required under California Government Code Section 52201 and Section 53083, a summary report must be provided before a property listed in a municipality's LRPMP is sold or leased for economic development purposes. Century Urban, Inc., a real estate economic consulting firm, was retained by the City to provide the summary report for the lease of the Property. The summary report addresses the requirements of Section 52201 and 53083 and provides information and analysis on the cost of acquisition, lease and assembly of the site, the appraised value, verification of the assumptions provided in the Developers' pro forma, and other requirements that meet the conditions as stated in Section 52201 and 53083 (see **Attachment C**).

To date, the Developers have been awarded \$237,000 in City of Oakland Community Development Block Grants for the Residential Parcel of the Project.

The Developers anticipate applying for an allocation of tax-exempt bonds from the California Debt Limit Allocation Committee (CDLAC) for a reservation of four percent (4%) low-income housing tax credits from the California Tax Credit Allocation Committee (TCAC). The tax-exempt bonds, the Tax Credit Equity generated by the four percent (4%) tax credits, and a Conventional Permanent Loan will be provided by a private lender. In addition to the affordable housing tax-exempt bonds and conventional permanent loan, funding for the residential portion of the Project will be comprised of Federal and State affordable housing programs. The execution of the Project's LDDA and commitment to convey the Leases, upon satisfaction of conditions, is critical in qualifying for these funding programs as the LDDA and Leases as the Developers must demonstrate site control as a condition for funding.

Table 2 below summarizes the funding sources identified for the residential component proposed to date:

Table 2 – Permanent Financing Sources

Anticipated Project Sources (Residential Portion Only)	Total
Current Request for City Funds – HCD Loan	\$ 4,220,858
4% Tax Credit Equity – CDLAC and TCAC	\$ 39,180,666
State Housing and Community Development – Affordable Housing and Sustainable Communities	\$ 14,923,971
State Housing and Community Development – Infill Infrastructure Grant	\$ 4,628,169
General Partner Equity and Capital Contribution	\$ 2,500,000
Permanent Loan	\$ 1,296,200
Federal Home Loan Bank Competitive Affordable Housing Program	\$ 750,000
City of Oakland – Community Development Block Grant	\$ 237,000
Subtotal Non-City Funds (Residential Portion Only)	\$ 63,279,006
Total Development Cost (Residential Portion Only)	\$ 67,736,864

Financing for the Health Center Portion may include tax-exempt bonds, New Markets Tax Credits, grants, conventional loans, or any combination thereof. To date, the Developers have been awarded \$150,000 in City of Oakland Community Block Development Grants for the Health Center portion of the Project.

Table 3 below summarizes the funding sources for the Health Center component proposed to date:

Table 3 - Permanent Financing Sources

Anticipated Project Sources (Health Center Portion Only)	Total
Tax-Exempt Bonds or New Markets Tax Credits	\$ 14,350,000
City of Oakland – Community Block Development Grant	\$ 150,000
NAHC Organizational Funds	\$ 504,070

Subtotal Non-City Funds	\$ 14,854,070
Total Development Cost (Health Center Portion Only)	\$ 15,004,070

Terms of the Leases

The fair market appraised value of the fee simple interest in the Property with entitlements is \$2,400,000, based on an independent, third party MAI appraisal prepared by Yovino & Young Associates, dated June 13, 2019, which shall be updated prior to execution of the Leases. In lieu of requiring an annual ground lease rent payment, the City will receive an upfront lump sum payment for the fair market value of the land in the amount equal to the higher of the final appraised value or \$2,400,000. Staff recommends this approach, because the interest free payment reduces cost to the nonprofit developer, while providing the City a fair market land value at the time of closing.

The Project has an initial 66-year ground lease with three (3) options to extend the term in increments of eleven (11) years with a minimum fee of \$25,000 for each extension. The full 99-year lease term length is allowable after Measure II was passed by Oakland voters in November of 2016, which amended Section 1001 of the City Charter. The 99-year ground lease provides security and certainty to private, institutional lenders while allowing for the opportunity to refinance after the 55-year affordable housing tax credit regulatory agreement term.

Community Benefits

The proposed development will turn a vacant underutilized property into 75 affordable housing units, with 28 parking spaces, and a 14,000 square foot community health center and cultural arts space on the ground floor. The new facilities will enable NAHC to treat more than 20,000 patients annually, which will be an increase in service capacity of 6,000 patients. The services to be provided with the expansion of existing NAHC facilities will include focused youth/adolescent medical, integrated behavioral health, pediatric dental, women, infants and children services, a cultural community center, and accompanying administrative offices. The cultural community center will enable NAHC to host conferences, community events, behavioral and mental health classes, workshops, group medical care, and food distribution activities. NAHC is hoping to grow its focus on social determinates of health such as traditional practitioner consultation, addiction recovery support services, peer support groups, self-management skill learning services, and cultural-specific services.

The City originally invested \$3,250,000 in acquiring the Property along with the separate Derby Parcel. In return, the City will be partially recouping the costs in an amount equal to or no less than \$2,400,000 from the upfront ground lease rent payment and will be providing much needed additional affordable housing and a health center for the community. The funds from the ground lease payment will be restricted by the 2006 Coliseum Redevelopment Project Area taxable bond covenants for redevelopment activities with the Coliseum Redevelopment Project Area, and may be used for future redevelopment use in the former Coliseum Redevelopment Project Area, or as otherwise permitted under the bond agreements.

Because the City is providing financial incentives to the Project, the Developers will be required to conform to City labor and hiring programs. In addition, the Developers will be required to pay

prevailing wages throughout the entire construction phase pursuant to City requirements as well as State law. The Project is expected to generate up to 250 permanent and 330 full-time equivalent construction jobs.

FISCAL IMPACT

Anticipated Fiscal and Economic Benefits to the City/Community

Leases – At closing, the City will receive an upfront rent payment in the amount equal to or not less than \$2,400,000 to enter into the Leases with the Developer. The funds from this payment will be restricted to the Coliseum Project Area and deposited in Entity (1), Coliseum Bond Series 2006B-T Taxable Fund (5656), Land Rental: Misc. Account (44219), CIP Coliseum (94859), Coliseum Program (SC12), and a Project to be determined later for appropriation.

Additional Fees - Affordable Housing Impact Fees do not apply since this Project is 100 percent affordable housing. However, the Project will be subject to building permit fees as set forth in the City's Master Fee Schedule as well as Transportation and Capital Improvement Impact Fees.

PUBLIC OUTREACH/ INTEREST

As part of required performance benchmarks outlined in the ENA between the Developer and the City, a comprehensive community engagement plan was created and implemented from August 2018 to December 2018. The Developers engaged in a series of door-to-door outreach campaigns, community meetings, and sent mailers to local neighborhood residents and stakeholders.

Additionally, the Project site was identified for redevelopment in the previous PAC process with the former RDA and it was identified as a priority development site in the Fruitvale Bay Area Rapid Transit (BART) Transit Area as part of the public process associated with the Coliseum Redevelopment Area 5-Year Implementation Plan.

COORDINATION

Staff from Public/Private Development and Real Estate Divisions of the Economic and Workforce Development Department, the Housing and Community Development Department, Planning and Building Department, Department of Transportation, and Office of the City Attorney collaborated with the Developers on this Project. This report and legislation were prepared in coordination with the Office of the City Attorney and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: The Project is expected to generate up to approximately 330 full-time equivalent jobs during construction and up to 250 permanent jobs at the Health Center after construction

completion, in addition to the 75 affordable housing units and a 14,000 square foot ground floor health center and cultural space.

Environmental: The Project conforms to the vision and guiding principles adopted in the 2011 International Boulevard Transit Oriented Development Plan and is in a designated Transit Oriented Development Catalyst Area within the Fruitvale Sub-Area Plan; therefore, it is sited to reduce vehicle trips and associated environmental impacts. The Project has been approved by the Oakland Planning Commission and will meet the City's green building requirements. In addition, the Project is Class 32 exempt from the California Environmental Quality Act (CEQA) as an infill development project in an urbanized area.

Race & Equity: The Project will add 75 affordable housing units between 20 percent (Very Low AMI) to 80 percent AMI (Low AMI) as defined by the United States Department of Housing and Urban Development. Affordable housing is urgently needed to address housing instability and homelessness in Oakland, which, according to the City's 2018 Oakland Equity Indicators Report, disproportionately affects Black Oaklanders. The ground floor health center and cultural space will be operated by NAHC and will provide cultural-specific services to implement programming that addresses the social determinates of health as described above in the Community Benefits section of this report.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The Oakland Planning Commission approved development permit Case File No. PLN19116 for a mixed-use development/affordable housing at 3050 International Boulevard on September 9, 2019. The approval is final and no longer subject to appeal. Pursuant to Class 32 exemption, Sections 15332 and 15183 of the California Environmental Quality Act (CEQA) Guidelines, no additional environmental review is necessary for this Project as it is deemed an infill development within an urbanized area.

ACTION REQUESTED OF THE CITY COUNCIL

Adopt An Ordinance (A) Authorizing The City Administrator Or Designee To Negotiate And Execute: 1) A Lease Disposition And Development Agreement (LDDA) With, Jointly, Satellite Affordable Housing Associates, Inc., And Native American Health Center, A California Non Profit, And/ Or Affiliated Entities (Each, A "Developer") For The Development Of An Affordable Housing Project And Health Center ("Project") On City-Owned Property Located At 3050 International Boulevard ("Property"); And 2) A Lease Of A Portion Of The Property To Each Developer To Operate And Manage The Project, For Up To 99 Years, Including Extensions, For A One-Time Payment Equal To \$2,400,000, To Be Paid Pro-Rata By Each Developer; And (B) Adopting Requisite Findings Under The California Environmental Quality Act.

For questions regarding this report, please contact David Le, Urban Economic Analyst at (510) 238-2330.

Respectfully submitted,



ALEXA JEFFRESS
Director, Economic and Workforce
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Attachments (3):

- A. LDDA and Ground Lease Term Sheets
- B. Schematic of Development
- C. California Government Code Sections 52201 & 53083 Report